

## M E M O

DATE: November 22, 2014  
TO: Mike Herring, City Administrator  
FROM: Libbey Tucker  
Community Services & Economic Development Director  
RE: Property Assessed Clean Energy (PACE) Program



This memo is to request that City Council move forward with an enabling ordinance allowing Chesterfield businesses to participate in Missouri's Property Assessed Clean Energy (PACE) program. Missouri's Clean Energy District was formed in January of 2011. The district operates as a political subdivision following the enactment of the PACE Act of Missouri (HB 1692) during the 2010 legislative session. Under the program, municipalities and counties may join the Special Tax District to help property owners finance energy retrofits by allowing an owner to place an additional tax assessment on their property. Property owners (commercial, industrial, multi-family, public facilities) who invest in energy efficiency measures and renewable energy systems repay these assessments over a period of up to 20 years via additional annual payments on their property tax bills.

The three primary objectives of the PACE financing program are: (1) encourage energy efficiency in buildings to reduce greenhouse gas emissions, (2) reduce energy costs and promote utility savings for building owners, and (3) foster green jobs and boost local employment opportunities. Some of the many eligible projects include energy efficiency measures, high efficiency lighting, roofs, heating ventilation air conditioning (HVAC) upgrades and controls, boilers, furnaces and water heating systems, as well as renewable energy systems such as solar PV panels and fuel cells. **There is a business within Chesterfield, Cambridge Engineering, who would like to utilize the PACE program in early 2015 to help finance such upgrades to their facility.**

In addition to low interest rates, PACE financing has several distinct advantages over traditional loans:

- PACE loan stays with the property upon sale, transferring to the new owner
- Commercial property owners may pass payments through to tenants
- Borrowing capacity is preserved through off-balance-sheet financing
- See more at: <http://pacenow.org/resources/all-programs/#Missouri>

Chesterfield would be the fifth City in the County to join the statewide initiative, as Charlack, Ferguson, Olivette, and Hazelwood participate as well. The City of St. Louis created their own district and administers it themselves, whereas **the Missouri Clean Energy District would administer ours at no cost or obligation to the City.** This is merely enabling legislation for our businesses to participate in the program. If, in the future, the City wished to opt-out of the PACE program administered by the Missouri

Clean Energy District and/or join a different PACE program (for example, a PACE program implemented by St. Louis County), the City could amend this enabling legislation accordingly. The Ordinance also requests that the person in the position of Director of Public Services, currently Mike Geisel, be approved by the Board of Directors of the District, as an advisory board member of District. Each City that adopts the ordinance has this opportunity.

Attached is the proposed ordinance, as reviewed and approved by Armstrong Teasdale, and I am requesting that this item be placed on the December 4 Planning & Public Works Committee Agenda in order to be able to proceed to help meet the request of Cambridge Engineering to be able to utilize the program. Please let me know if there is information that needs clarification.

Attachment: PACE Enabling Ordinance

*ohid  
JMS  
11/26/14*  
→ FORWARD TO  
P/PW COMMITTEE

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**From:** Mike Geisel  
**Sent:** 11/30/2014 9:39 AM  
**To:** Michael Herring  
**Cc:** Robert Heggie; Robert Klahr  
**Subject:** RE: PACE Memo & Ordinance - CONFIDENTIAL!!!

There is a much more robust list of participating communities statewide. I've checked the MCeD website and it appears very supportive and consistent with Libbey's Description.

**Excerpted from site:** MCED or Missouri Clean Energy District was authorized by the state legislature in 2010. The district is a state-wide political subdivision which welcomes all local municipalities and counties as members. Property owners in member communities and counties may apply for PACE financing for energy-saving upgrades and retrofits to their property. There is no membership cost to local governments and no risk, because no public funds are used for financing. However, the entire program does receive governmental oversight. Missouri Clean Energy Funding, LLC has been designated to interact with local district members to review applications, arrange funding, and provide program administration.

While some discussion is necessary, I see no reason why we would delay or defer action. I do not see any risk here. This is simply adding a capability without any economic risk to the City.

✓ MGH  
11/30/14

ORDINANCE NO. \_\_\_\_\_

AN ORDINANCE AUTHORIZING THE CITY OF CHESTERFIELD, MISSOURI TO JOIN THE MISSOURI CLEAN ENERGY DISTRICT PURSUANT TO SECTIONS §67.2800 TO §67.2835, INCLUSIVE, RSMO., THE “PROPERTY ASSESSED CLEAN ENERGY ACT,” AND STATING THE TERMS UNDER WHICH THE CITY WILL CONDUCT ACTIVITIES WITHIN THE CITY AS A MEMBER OF SUCH DISTRICT; REQUESTING APPOINTMENT TO THE DISTRICT’S ADVISORY BOARD; DISCLAIMING ANY NEED FOR APPROPRIATION; AND DIRECTING THE CITY CLERK TO SEND A CERTIFIED COPY OF THIS ORDINANCE TO THE BOARD OF DIRECTORS OF THE DISTRICT.

WHEREAS, the 95<sup>th</sup> General Assembly of Missouri has enacted the Sections §67.2800 to § 67.2835, inclusive, RSMo, the “Property Assessment Clean Energy Act” (the “act”); and

WHEREAS, the development, production, and efficient use of clean energy and renewable energy, as well as the installation of energy efficiency improvements to publicly and privately owned real property, will create jobs for residents of the City of Chesterfield, Missouri, advance the economic well-being and public and environmental health of the City of Chesterfield, Missouri, and contribute to the energy independence of our nation; and

WHEREAS, the primary intent of funding energy efficiency and renewable energy improvements pursuant to the Act is to promote the public purposes described above; and

WHEREAS, Section §67.2810.1 authorizes one or more Municipalities (as defined in Section §67.2800.7) to establish a Clean Energy Development Board to initiate and administer a Property Assessed Clean Energy (“PACE”) Program so that owners of qualifying property can access funding for energy efficiency improvements to their properties located in such Municipalities; and

WHEREAS, on January 3, 2011, a clean energy development board now named the Missouri Clean Energy District was created with the intention that all Municipalities within the State of Missouri would be eligible to join and participate by approving an appropriate ordinance or resolution; and

WHEREAS, it is in the best interest of the City of Chesterfield, Missouri and for the benefit of its resident to join and participate in the District.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF CHESTERFIELD, MISSOURI, AS FOLLOWS:

Section 1: The City hereby approves and authorizes joining and participation in the Missouri Clean Energy District.

Section 2: The City declares its intent that the provisions of this Ordinance shall be in conformity with federal and state laws. The City enacts this Ordinance pursuant to Sections 67.2800 to 67.2835 of the Missouri Revised Statutes (2000), as amended.

A. Title and Definitions.

1. Title. This Ordinance shall be known and may be cited as “The City of Chesterfield, Missouri Property Assessed Clean Energy (PACE) Ordinance.”
2. Definitions. Except as specifically defined below, word and phrases used in this Ordinance shall have their customary meanings. Words and phrases defined in Section 67.2800.2 of the Missouri Revised Statutes (2000), as amended, shall have their defined meanings when used in this Ordinance. As used in this Ordinance, the following words and phrases shall have the meanings indicated.
  - a. “Missouri Clean Energy District” or “District” means the Missouri Clean Energy District.
  - b. “PACE Assessment” means a special assessment made against qualifying property in consideration of PACE funding.
  - c. “PACE Funding” means funds provided to the owner(s) of qualified property by the District for an energy efficiency improvement.
  - d. “Qualifying Property” means real property located in The City of Chesterfield, Missouri.

B. Program Administration. The Missouri Clean Energy District shall administer the functions of the PACE Program within the City by:

1. providing property owners with an application in order to apply for PACE Funds;
2. developing standards for the approval of projects submitted by property owners;
3. reviewing applications and select qualified projects;
4. entering into Assessment Contracts with property owners;
5. providing a copy of each executed Notice of Assessment to the County Assessor and causing a copy of each such Notice of Assessment to be recorded in the real estate records of the Recorder of Deeds for the County;
6. authorizing and disbursing the PACE Funds to the property owners;
7. receiving the PACE Assessment from the County Collector; and

8. recording any lien, if needed, due to nonpayment of a PACE Assessment.

- C. Liability of City Officials; Liability of City. Notwithstanding any other provision of law to the contrary, officers and other officials of the City, the District and the County in which the City is located, including, without limitation, tax assessors and tax collectors, shall not be personally liable to any person for claims of whatever kind of nature, under or related to the City's PACE Program, including, without limitation, claims for or related to uncollected PACE Assessments. The City has no liability to a property owner for or related to energy savings improvements funded under a PACE program. The District shall for all purposes be considered an independent entity and shall not be considered a subdivision of the City of Chesterfield.
- D. Existing Laws Not Superseded. Any project or improvement, however denominated, at any Qualifying Property which is funded in whole or in part by PACE Funding shall be subject to all ordinances, rules and regulations in effect at that time.
- E. City as a Non-Party. The City shall not be a party to any PACE Funding agreement, loan, or other commitment, however denominated, executed between the District and the owners(s) (or their representatives, together with any successors and assigns) of any Qualifying Property.

Section 3: The City does hereby request that the Director of Public Services be approved by the Board of Directors of the District as a duly authorized member of the Advisory Board of Missouri Clean Energy District.

Section 4: The City's election to join the District shall in no way constitute an obligation to the City necessitating any corresponding appropriation.

Section 5: The City Clerk is hereby authorized to deliver a duly executed copy of this Ordinance to the Board of Directors or its designee, together with a description of the jurisdictional and geographic boundaries of The City for addition to the District.

PASSED and APPROVED this \_\_\_\_ day of \_\_\_\_\_, 2015.

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK

[FIRST READING HELD: \_\_\_\_\_]

# PACE. Property Assessed Clean Energy

Innovative. Voluntary. Efficient.

## What is PACE?

PACE is Property Assessed Clean Energy, a new and innovative way for commercial property owners to pay for energy efficiency upgrades, on-site renewable energy projects, and water conservation measures. PACE funding is provided or arranged by a local government for 100% of a project's costs, and is repaid with an assessment over a term of up to 20 years. Local government assessment financing has been used efficiently for decades throughout the United States to fund improvements to private property that meet a public purpose.

- PACE financing is available for all types of commercial and industrial properties, large and small, and may be available to non-profits and government facilities as well.
- Financing approvals are simple, but PACE projects must be permanently affixed to the property and save money for the property owner.
- Benchmarking, energy audits and evaluations can be used to ensure that projects make sense, but PACE is 100% voluntary. In communities that adopt PACE, assessments are only paid by participating owners, and only for their own projects.

PACE is a national initiative, but programs are locally based and tailored to meet local market needs. Visit [www.pacenow.org](http://www.pacenow.org) to see if PACE financing is available in your community or learn more about how you can support development of a program.

## The Opportunity

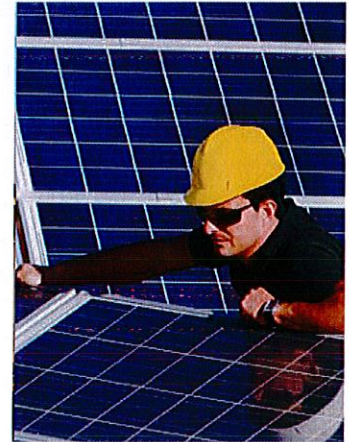
Energy efficiency is the least expensive energy we can buy. In the U.S., buildings alone consume over 40 percent of the energy we use, and roughly 75 percent of all electricity. A 2012 study by the Rockefeller Foundation and DB Climate Change Advisors sees an investment opportunity of nearly \$280 billion over the next 10 years that would translate to over \$1 trillion in energy savings, over 3 million jobs, and 600 million fewer metric tons of carbon emissions per year. PACE is clearly working because it meets a market need.

- Property owners see an opportunity to save money and make their buildings more valuable
- Existing mortgage lenders support projects that meet their clients' objectives and increase the value of their collateral
- Energy service companies and contractors find PACE can help them make sales
- Local governments like PACE because it creates jobs, economic activity, and helps meet energy conservation goals
- Private market investors like PACE because assessment liens are a proven, strong credit

## Benefits of PACE

PACE financing has many features that can uniquely solve barriers to the adoption of energy efficiency measures.

- 100% financing requires no up-front cash investment
- Long-term financing (up to 20 years) results in immediate positive cash flow
- No payoff upon sale because PACE assessments (and energy savings) remain with the property
- Assessment costs and savings can be shared with tenants
- PACE can attract a wide range of private investors with low interest rates
- PACE may be treated as off balance sheet financing
- Non-recourse, non-accelerating financing
- PACE programs are local and community members are motivated to engage in outreach and marketing efforts



### WHERE IS PACE AVAILABLE?

PACE can now be used in 31 states and programs are being launched throughout the U.S. Over the past 12 months, financing activity has more than doubled, with more than \$30 million provided to improve over 160 buildings. Projects completed and in the works range from \$10 thousand to over \$3 million. In the coming year, programs in California, Connecticut, Florida, Georgia, Michigan, Minnesota, New York, Ohio, and others could easily triple these results.

PACE financing works for large and small projects on just about any commercial building. Some of the world's largest property owners, including Simon Property Group and Prologis, Inc. have used PACE to finance energy efficiency and renewable upgrades to their buildings.

### CONTACT PACENow

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